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EDUCATION & TRAINING

POLICY BRIEF

New Immigrants, New Needs

The California Experience

The current national debate on immigration policy is especially intense in California, home to one-third of the country's immigrants. Much of this debate consists of advocates stating their views without the benefit of a nonpartisan assessment of the issue and the challenges it poses for the state. A recent RAND study provides such an assessment by examining how immigration has interacted with other demographic and economic trends in California since the 1960s. The three-year study, the first to take a 30-year perspective, profiles the changing character of recent immigrants and considers their contribution to the economy, their effects on other workers and the public sector, and their educational and economic success. Its findings can provide lessons for other states, the nation, and even other countries.

Key Findings

The authors find that despite changes in the characteristics of immigrants, California's employers continue to benefit from their presence. However, the size of current immigration flows—and the disproportionate share of poorly educated immigrants they contain—combined with changes in the state's economy has increased the costs of immigration to the state's public sector and to some native workers. Immigration's effects in the future will depend largely on whether the federal government alters its immigration policies to address the current changes and the state initiates proactive policies for integrating immigrants into its social and economic fabric.

The New Immigration

Immigration into California, both legal and illegal, has increased at unprecedented rates over the past 30 years. During the 1970s, more immigrants—1.8 million—entered the state than in all prior decades combined. That number doubled again to 3.5 million in the 1980s, and the 1990s rate has remained high despite a severe recession in the decade's early years. As a result, immigrants now constitute more than one-fourth of California's residents and workers and are responsible for more than half of the growth in the state's population and labor force.

The composition of the immigrant flow has also changed dramatically. As Figure 1 shows, about half of California's recent immigrants come from Mexico and Central America, and another third come from Asia. These groups are less educated, are younger, and have more children than immigrants elsewhere. They also are more likely to be refugees and undocumented. For all these reasons, immigration is affecting California more substantially than any other state in the nation.

Immigrants arrive with all levels of education, but on average their educational levels have declined relative to those of the native population. This decline is particularly significant, because the rate at which immigrants and their children succeed economically and socially depends directly on how educated they are. Highly educated immigrants

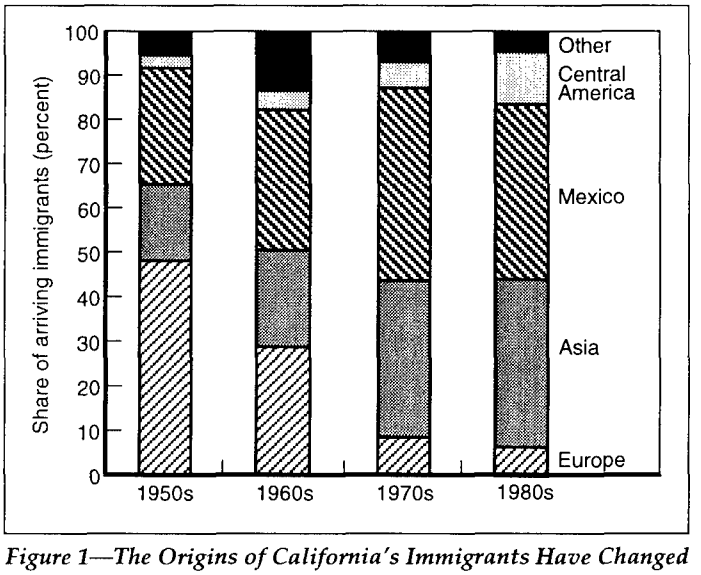

Figure 1—The Origins of California's Immigrants Have Changed

reach economic parity with native residents within their lifetimes. Those with extremely low levels of education—mainly from Mexico and Central America and refugees from Indochina—command low earnings and make little economic progress in their lifetimes (Figure 2). Their limited prospects raise important concerns about whether and when their children will be able to reach parity with other groups.

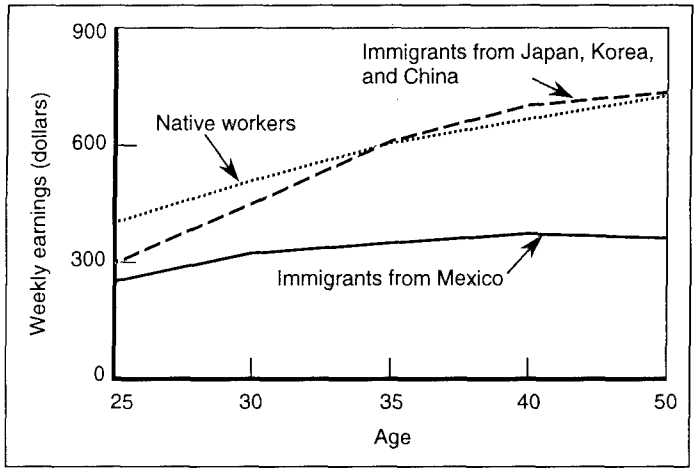

Figure 2—Immigrants from Mexico Make Little Economic Progress in Their Lifetimes Compared to Immigrants from Japan, Korea, and China

The Economic Benefits

California's employers, and its economy in general, have been the main beneficiaries of immigration. Immigrants are paid less than native workers at all skill levels but are equally productive employees. As a result, they have contributed to California's faster economic growth compared to the rest of the nation from 1960 to 1990 (Figure 3). Even when California's growth advantage disappeared during the depths of the 1990–94 recession—to which immigration did not contribute—immigrants continued to arrive in the state in great numbers and to hold down its labor costs.

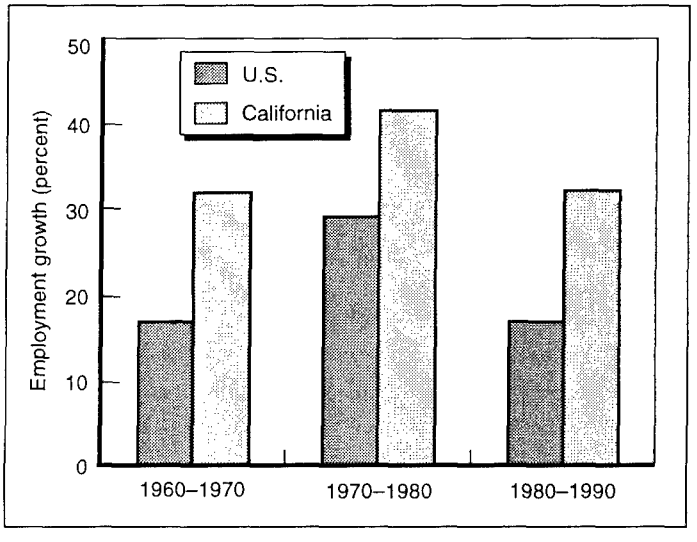

Figure 3—Immigration Has Contributed to California's Disproportionate Growth in Employment

The Costs

However, these economic benefits have not come without certain costs. A concentration of refugees and other low-income immigrants that make heavy use of public services has had a negative fiscal effect on California. The greatest and most enduring impact has been on the state's public education system: predominantly of childbearing age and with fertility rates higher than those of the native population, immigrants have contributed significantly to the state's rapid increase in primary and middle school enrollments. The effect of this increase on the state's community colleges and universities has yet to be fully felt (Figure 4).

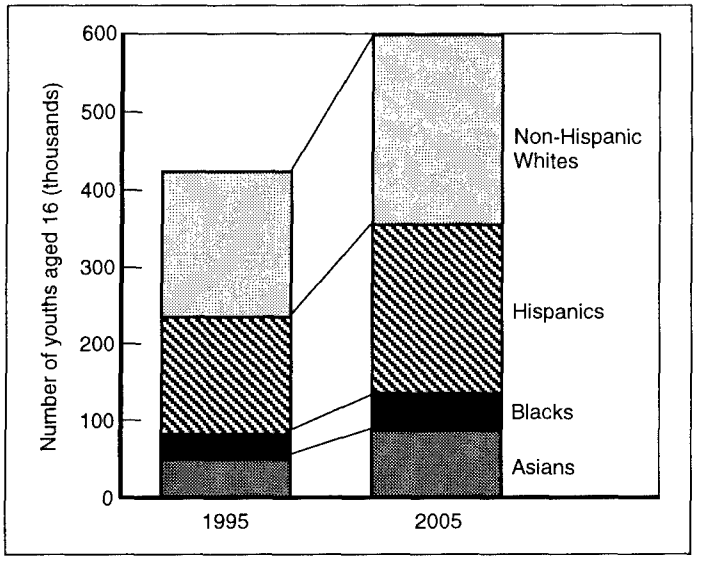

Figure 4—California's 16-Year-Old Population Will Increase by Year 2005

The report points to other costs as well. Because the demand for low-skilled workers has been declining, the continuing influx of low-skilled immigrants has held down both the earnings and the job opportunities of the low-skilled labor force. Overall, California is losing low-skilled workers to other states, and between 1 and 1.5 percent of the state's adult native population has left the labor force or become unemployed because of competition from immigrants. Immigration has also contributed to the widening income disparity among the state's workers and to the loss of their educational advantage over workers nationwide.

Immigrants' Prospects

Recent changes in California's economy do not bode well for low-skilled immigrants. Employment growth recently picked up from what it was in the recession of the early 1990s, but it is not expected to return to the rapid pace it maintained prior to 1990. Moreover, as the state's economy has shifted to the higher-skill, service and technology industries, employers have begun to seek a more highly educated workforce. Between 1970 and 1990, 85 percent of

California's new jobs went to workers with at least some postsecondary training. As the economic prospects of these well-educated workers improve, the prospects of the less educated diminish: they compete for fewer jobs and face slow growth in their career earnings. Finally, California-voter resistance to increasing taxes, exemplified by Proposition 13, has limited the funds available to the state and to local governments, leading to cutbacks of many programs.

When these factors are combined with continued high levels of immigration, the signposts all point to a widening gap between what the state's economy and public services can provide and what the growing numbers of poorly educated immigrants need. Given these trends, California will find it increasingly difficult to maintain—let alone improve—the prospects of low-skilled immigrants and their children and to ensure that immigration remains an overall benefit to the state's economy and residents.

Recommendations

The federal government sets the policies that determine how many and which immigrants enter California. The authors recommend that the federal immigration policies be changed to: (1) provide the flexibility needed to change immigrant quotas and entry criteria as needed to maintain modest levels of immigration and to emphasize the educational level of immigrants; (2) provide financial relief to states bearing a disproportionate share of costs associated with immigration; (3) control levels of illegal immigration; (4) recognize the special relationship between Mexico and the United States and expand U.S.-Mexico cooperation on immigration issues.

For California, the authors recommend that the state develop proactive policies for integrating immigrants both socially and economically. Since education is the most important determinant of the success of immigrants and their children, California must—above all else—make special efforts to promote high school graduation and college attendance for the children of immigrants, most of whom are born in the state. In addition, the state should work with the federal government to sponsor programs that encourage naturalization and expedite English proficiency for adult immigrants already living and working in California.

RAND policy briefs summarize research that has been more fully documented elsewhere. This policy brief describes work done for RAND's Center for Research on Immigration Policy in the Institute on Education and Training with funds from the Office of the Secretary of Defense, the James Irvine Foundation, The Ford Foundation, the William and Flora Hewlett Foundation, the Andrew F. Mellon Foundation, and the California Business Roundtable. This work is documented in Immigration in a Changing Economy: California's Experience, *by Kevin F. McCarthy and Georges Vernez, MR-854-OSD/CBR/FF/WFHF/IF/AMF, 1997, 370 pp., $20.00, ISBN: 0-8330-2496-5; and in a related summary volume:* Immigration in a Changing Economy: California's Experience—Questions and Answers, *by Kevin F. McCarthy and Georges Vernez (forthcoming), available from National Book Network (Telephone: 800-462-6420; FAX: 301-459-2118) or from RAND on the Internet (order@rand.org). Profiles of the Center for Research on Immigration Policy and the Institute on Education and Training, as well as abstracts of their publications and ordering information, may be viewed on the World Wide Web (http://www.rand.org).*

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